

Senate File 2318 - Introduced

SENATE FILE 2318

BY T. TAYLOR

A BILL FOR

1 An Act relating to the solar energy system tax credit available
2 against the individual or corporate income tax, the
3 franchise tax, and the moneys and credits tax, and including
4 effective date and retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.11L, Code 2022, is amended by
2 striking the section and inserting in lieu thereof the
3 following:

4 **422.11L Solar energy system tax credits.**

5 1. As used in this section:

6 *a. "Commercial solar energy system" means a solar energy*
7 *system on multiresidential property or nonresidential property.*

8 *b. "Residential solar energy system" means a solar energy*
9 *system on residential property.*

10 *c. "Solar energy system" means a system of equipment capable*
11 *of collecting and converting incident solar radiation into*
12 *thermal, mechanical, or electrical energy and transporting the*
13 *energy by a separate apparatus to storage or to a point of use.*

14 2. Beginning with installations completed on or after
15 January 1, 2022, the taxes imposed under this subchapter, less
16 the credits allowed under section 422.12, shall be reduced by
17 a solar energy system tax credit equal to fifty percent of
18 the gross cost of the solar energy system, not to exceed the
19 following amounts:

20 *a. For a residential solar energy system, five thousand*
21 *dollars.*

22 *b. For a commercial solar energy system, twenty thousand*
23 *dollars.*

24 3. Any credit in excess of the tax liability is not
25 refundable but the excess for the tax year may be credited
26 to the tax liability for the following ten years or until
27 depleted, whichever is earlier.

28 4. *a. An individual may claim the tax credit allowed a*
29 *partnership, limited liability company, S corporation, estate,*
30 *or trust electing to have the income taxed directly to the*
31 *individual. The amount claimed by the individual shall be*
32 *based upon the pro rata share of the individual's earnings of*
33 *the partnership, limited liability company, S corporation,*
34 *estate, or trust.*

35 *b. A taxpayer who is eligible to claim a credit under this*

1 section shall not be eligible to claim a renewable energy tax
2 credit under chapter 476C.

3 *c.* A taxpayer may claim more than one credit under this
4 section, but may claim only one credit per separate and
5 distinct solar energy system installation. The department
6 shall establish criteria, by rule, for determining what
7 constitutes a separate and distinct installation.

8 *d.* (1) A taxpayer must submit an application to the
9 department for each separate and distinct solar energy
10 system installation. The application must be approved by the
11 department in order to claim the tax credit. The application
12 must be filed by May 1 following the year of the installation
13 of the solar energy system.

14 (2) The department shall accept and approve applications on
15 a first-come, first-served basis.

16 5. The director shall adopt rules pursuant to chapter 17A to
17 administer this section.

18 Sec. 2. Section 422.33, subsection 29, Code 2022, is amended
19 to read as follows:

20 29. ~~*a.* The taxes imposed under this subchapter shall be~~
21 ~~reduced by a solar energy system tax credit equal to sixty~~
22 ~~percent of the federal energy credit related to solar energy~~
23 ~~systems provided in section 48(a)(2)(A)(i)(II) and section~~
24 ~~48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed~~
25 ~~twenty thousand dollars. For installations occurring on or~~
26 ~~after January 1, 2016, the applicable percentage of the federal~~
27 ~~energy credit related to solar energy systems shall be fifty~~
28 ~~percent.~~

29 ~~*b.* The taxpayer may claim the credit pursuant to this~~
30 ~~subsection and~~ according to the same requirements, conditions,
31 and limitations as provided pursuant to [section 422.11L](#).

32 Sec. 3. Section 422.60, subsection 12, Code 2022, is amended
33 to read as follows:

34 12. ~~*a.* The taxes imposed under this subchapter shall be~~
35 ~~reduced by a solar energy system tax credit equal to sixty~~

1 ~~percent of the federal energy credit related to solar energy~~
 2 ~~systems provided in section 48(a)(2)(A)(i)(II) and section~~
 3 ~~48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed~~
 4 ~~twenty thousand dollars. For installations occurring on or~~
 5 ~~after January 1, 2016, the applicable percentage of the federal~~
 6 ~~energy credit related to solar energy systems shall be fifty~~
 7 ~~percent.~~

8 ~~b. The taxpayer may claim the credit pursuant to this~~
 9 ~~subsection and~~ according to the same requirements, conditions,
 10 and limitations as provided pursuant to [section 422.11L](#).

11 Sec. 4. CUMULATIVE VALUE OF SOLAR ENERGY SYSTEM TAX CREDIT
 12 — INSTALLATIONS PRIOR TO JANUARY 1, 2022. The following
 13 applicants shall be eligible to claim the solar energy system
 14 tax credit for the tax year beginning on or after January 1,
 15 2022, but before January 1, 2023, for the credit described in
 16 section 422.11L, subsection 1, paragraph "a", Code 2021, as
 17 if the credit did not expire, and as if the annual cumulative
 18 value of the tax credit allowed to be claimed in Code section
 19 422.11L, subsection 4, paragraph "a", Code 2021, does not
 20 apply: an applicant with a valid application who was on the
 21 wait list as of December 31, 2021, and who did not receive the
 22 credit; an applicant whose application went through the review
 23 process of the department of revenue and who otherwise had a
 24 valid application but was nevertheless sent a denial letter by
 25 the department of revenue for the 2021 award year regardless
 26 of whether or not the applicant appealed the denial letter; an
 27 applicant whose application was in the review process of the
 28 department of revenue but whose application expired due to the
 29 expiration of the credit, regardless of whether the applicant
 30 appealed the denial letter; and an applicant who has not
 31 submitted an application for an installation that was completed
 32 during the 2021 calendar year.

33 Sec. 5. EFFECTIVE DATE. This Act, being deemed of immediate
 34 importance, takes effect upon enactment.

35 Sec. 6. RETROACTIVE APPLICABILITY. This Act applies

1 retroactively to January 1, 2022, for tax years ending on or
2 after that date.

3 EXPLANATION

4 The inclusion of this explanation does not constitute agreement with
5 the explanation's substance by the members of the general assembly.

6 This bill relates to the solar energy system tax credit
7 available against individual and corporate income taxes, the
8 franchise tax, and the moneys and credits tax.

9 BACKGROUND. Currently, the solar energy system tax credit
10 for residential installations has expired for installations
11 completed after December 31, 2021. The solar energy system tax
12 credit remains available for the construction of a commercial
13 solar energy system commenced before calendar year 2022.

14 Under existing law, the Iowa solar energy system tax credit
15 available against the individual or corporate income tax, the
16 franchise tax, or the moneys and credits tax equals the sum of
17 50 percent of the federal residential energy efficient property
18 credit, not to exceed \$5,000, plus 50 percent of the federal
19 energy credit related to solar energy systems, not to exceed
20 \$20,000.

21 CHANGES. The bill strikes provisions basing the Iowa solar
22 energy system tax credit as a percentage of federal energy tax
23 credits and creates a new Iowa solar energy system tax credit
24 for installations completed on or after January 1, 2022. The
25 bill creates a residential solar energy system tax credit equal
26 to 50 percent of the gross cost of the system, up to \$5,000.
27 The bill creates a separate commercial solar energy system
28 tax credit not to exceed 50 percent of the gross cost of the
29 system, up to \$20,000. The tax credit is available against the
30 individual and corporate income taxes, the franchise tax, and
31 the moneys and credits tax.

32 The bill defines "residential solar energy system" to mean a
33 solar energy project on residential property.

34 The bill defines "commercial solar energy system" to mean
35 a solar energy system on a multiresidential property or a

1 nonresidential property.

2 Any tax credit approved under the bill is not refundable
3 but the excess for the tax year may be credited to the tax
4 liability for the following 10 years or until depleted,
5 whichever is earlier.

6 A taxpayer eligible to claim a credit under the bill is not
7 eligible to claim a renewable energy tax credit under Code
8 chapter 476C.

9 The bill provides that a taxpayer may claim more than one tax
10 credit, but may claim only one credit per separate and distinct
11 solar energy system installation.

12 The bill removes the \$5 million maximum cumulative value
13 of solar energy system tax credits annually available for
14 installations completed on or after January 1, 2022. The
15 bill also removes the \$5 million maximum cumulative value of
16 solar energy system tax credits available in a tax year for
17 installations completed prior to January 1, 2022, for the
18 following applicants: an applicant with a valid application
19 who was on the wait list as of December 31, 2021, and who did
20 not receive the credit; an applicant whose application went
21 through the review process of the department of revenue and
22 who otherwise had a valid application but was nevertheless
23 sent a denial letter by the department of revenue for the
24 2021 award year regardless of whether or not the applicant
25 appealed the denial letter; an applicant whose application
26 was in the review process of the department of revenue but
27 whose application expired due to the expiration of the credit,
28 regardless of whether the applicant appealed the denial letter;
29 and an applicant who has not submitted an application for an
30 installation that was completed during the 2021 calendar year.

31 The bill takes effect upon enactment and applies
32 retroactively to January 1, 2022, for tax years ending on or
33 after that date.